

Submitted by Karynlee Harrington to IFS Committee  
Nov. 1, 2011

## 1) Deliverables under Exchange Planning Grant (\$1 million)

The State contracted with Optumas Consulting for \$925,000. The Optumas team included following subcontractors

- Alicia Smith and Associates (Medicaid Policy)
- Covington & Burling (Policy and Regulatory Analysis)
- Karmada Consulting (IT Systems evaluation and design)

Optumas provided project management and actuarial services.

Working with the contract team the State produced the following key deliverables:

**Medicaid Actuarial Analysis (in progress)** – an examination of the implications of the ACA on existing Medicaid, Individual, Small Group, and Uninsured population segments. The analysis also includes an analysis of population movements from existing groups to the new groups under the ACA as well as the varying funding sources under different implementation options of the ACA.

**IT Gap Analysis** – an examination of the State's current information technology infrastructure. The purpose of the Gap Analysis was to understand what existing technology within the state, if any, could be leveraged in operating the Exchange and also to understand which business applications would have to be modified in implementing the Exchange.

**Support of the Advisory Committee on Maine's Health Insurance Exchange** - support for staff with technical and policy expertise during the Advisory Committee's deliberations, created decision framework document including comparisons to LD 1497 and 1498, drafted proposed legislation, and wrote final report of the Advisory Committee capturing Committee recommendations.

**Support of application for Establishment Level 1 Grant** – assistance in creating analysis and work products that allowed State staff to demonstrate progress in the Exchange Planning Core Areas:

- Background Research: research conducted, including key findings and plans that resulted from this research.
- Stakeholder Consultation: partnerships with various stakeholders, public input into the Exchange planning process, such as State HIT Coordinators and the State's health information exchange program, State officials, representatives of State Agencies, employers, insurers, advocacy groups, and consumer groups.
- State Legislative/ Regulatory Actions: progress made toward the creation of the necessary legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application and provides for establishment of governance and Exchange structure
- Governance: progress made toward establishing the administrative structure (State agency, quasi-governmental agency, or non-profit organization) and governance structure of the Exchange (composition of governing body, conflict of interest standards, selection process).

- Program Integration: coordination with the State insurance regulatory entity (e.g. Department of Insurance), State Medicaid, CHIP, other State health subsidy programs, and other health and human services programs as appropriate. Planning activities related to streamlining eligibility and enrollment and coordinating with the State Department of Insurance on issues including the financial stability of insurance companies, certification of plans, rate review, State licensure, solvency, and market conduct.
- Exchange IT Systems: steps taken toward the first phase of development of Exchange IT systems in accordance with the most current Federal IT guidance, including compliance with the standards adopted by the Secretary under Section 1561 of 20 the Affordable Care Act. Steps taken to ensure a modular, flexible approach to systems development, including use of open interfaces and exposed application programming interfaces; the separation of business rules from core programming; and the availability of business rules in both human and machine readable formats.
- Financial Management: infrastructure the Exchange has established for financial management of the Exchange and Exchange grants using Planning grant funds (or other funds made available by the State for this purpose).
- Program Integrity: activities related to auditing, financial integrity, oversight, and prevention of fraud, waste and abuse.
- Health Insurance Market Reforms: progress in implementing Insurance Market Reforms under Subtitles A and C of the Affordable Care Act.
- Providing Assistance to Individuals and Small Businesses, Coverage Appeals, and Complaints: efforts related to ensuring individuals have access to assistance services in the State.

**Systems Integrator Request for Proposal Framework (in progress)** – support for the submission of a RFP for a systems integrator to design and build (where appropriate) technical components of the Exchange (refer to IT Budget details below).

**2) Proposed Budget and Deliverables under Level 1 Establishment Grant (requested \$5.88 million, of which \$4.2 million is for IT design and development)**

**Project Abstract**

The Dirigo Health Agency (DHA), on behalf of the State of Maine, requests a \$5,877,676 grant to support continued progress toward the planning and establishment of a Maine Health Insurance Exchange. Maine will use its funding to build upon its progress to date in establishing a state-wide Health Insurance Exchange. The goals of Maine's Health Insurance Exchange are to:

- Meet the minimum requirements of an Exchange as defined in the ACA;
- Support and expand Maine's private insurance market;
- Operate as a competitive marketplace open to all licensed/qualified insurers;
- Align with the private and public sectors to support and promote Value Based Purchasing; and
- Build upon, reallocate, and/or streamline existing private and public resources (where cost-effective and appropriate).

Maine will use funding to:

- Identify opportunities to leverage existing services, functions, and resources;
- Continue stakeholder consultation;
- Design and begin to build the business operations and systems for the Exchange and Medicaid, including the integration of existing Medicaid eligibility systems with new Exchange eligibility systems;
- Develop consumer assistance capabilities;
- Examine opportunities to modify existing programs in light of the coverage consolidations available to the state;
- Secure expert resources to support the state's Exchange planning and implementation process; and
- Engage in all other activities required to develop an Exchange that meets federal minimum requirements.

Level One funding will provide the support for Maine to collect and analyze data, consider options, and establish the framework for its potential submission of a Level Two Exchange grant in 2012.

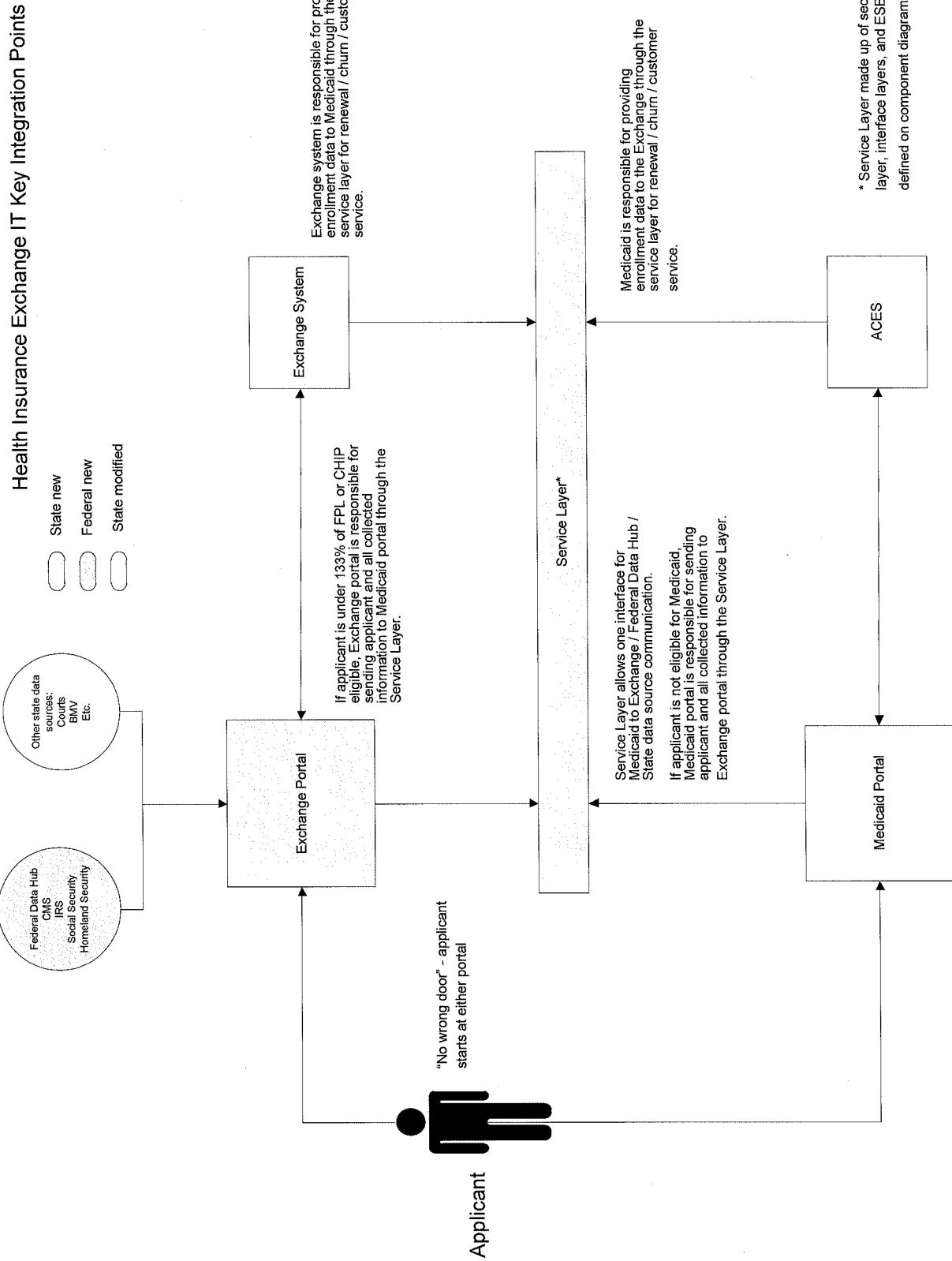
## Level 1 Proposed Budget

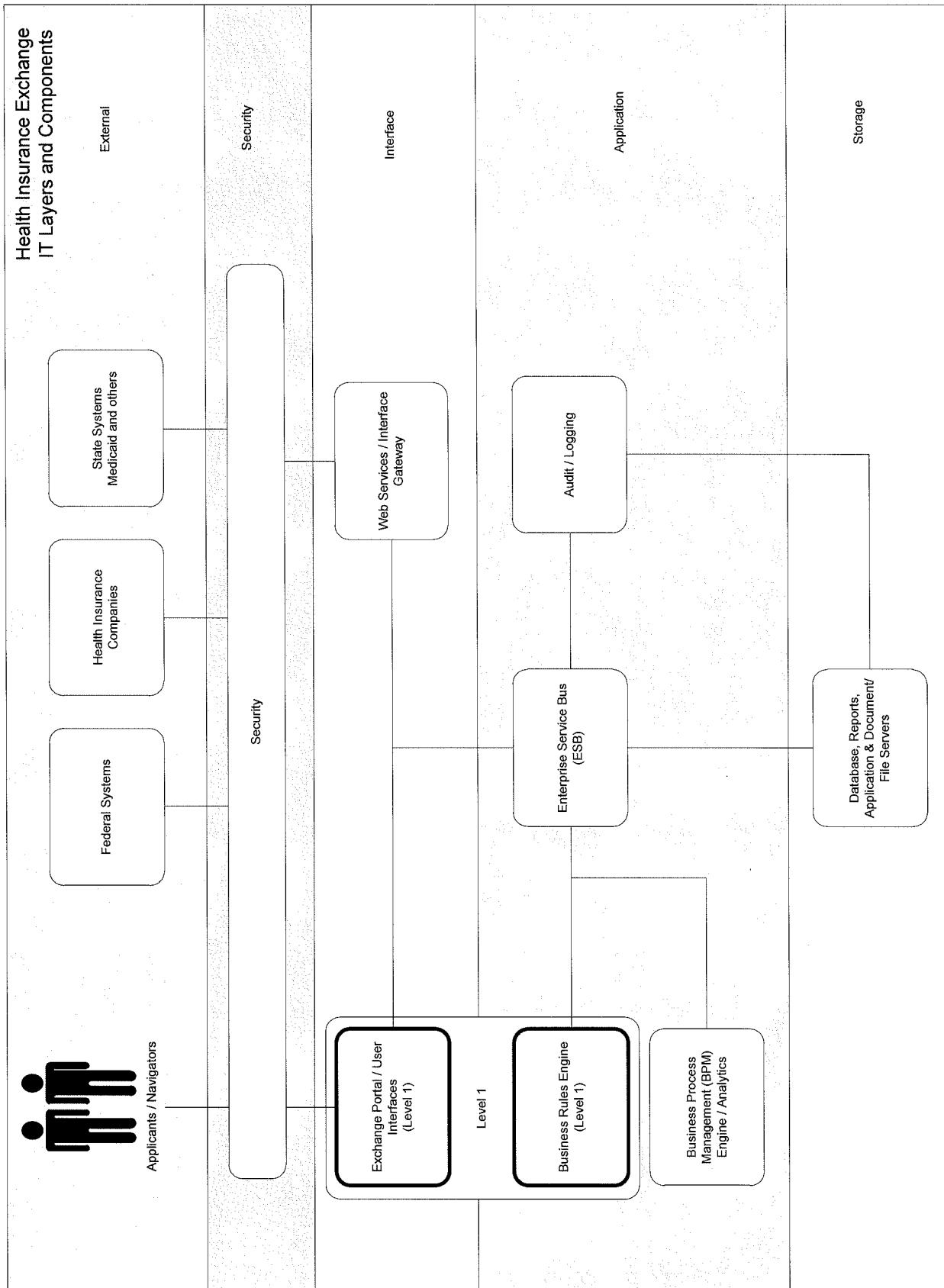
CORE AREA	SUMMARY DESCRIPTION	6 MONTH BUDGET
1. Background Research	Analysis of Market Size, Composition, and Structure	\$100,000
2. Stakeholder Involvement	Internal and External Stakeholder Input, including Providers, Payers, Brokers, Consumers, Agencies, and Tribes	\$100,000
3. Legal/Regulatory Action	Review Existing Rules/Regulation and Suggested Changes	\$75,000
4. Governance	(Included within Legal/Regulatory Action)	
5. Program Integration	Medicaid Program Consolidation and Design for Integration	\$450,000
6. Exchange IT Systems	System design that is a Service-Oriented Architecture	\$4,172,026
7. Financial Management	Leverage Existing and Design ACA-Required Elements of Accounting System	\$100,000
8. Oversight and Program Integrity	Leverage Existing Fraud and Abuse Capabilities	\$75,000
9. Health Insurance Market Reform	Actuarial Modeling on Impact of PL90, modeling proposed Risk Adjustment, Reinsurance, and Risk Corridors guidelines	\$50,000
10. Consumer Assistance	Design Consumer Assistance program to meet ACA-specifications	\$75,000
11. Business Operations	Leverage Existing State Resources – use, re-purpose, or reallocate where appropriate and cost-effective	\$454,675
12. Personnel, Fringe, Travel		\$1,373,961
<b>TOTAL</b>		<b>\$5,877,676</b>

## **IT Budget Details**

The largest part of the proposed budget (71%) is for Information Technology design and preliminary development.

Below are schematics of the proposed architecture and strategy for implementing the technology to support Maine's Health Insurance Exchange.





**3) Comparison of key decision points between Utah and Massachusetts**

Please see attached National Association of Health Underwriters *Massachusetts Connector and Utah Exchange Comparison* from September 2010.

The details specified in the table below are based on conversations with State Officials in Utah and Massachusetts and are subject to change as the respective State Legislatures consider legislation pertaining to Health Insurance Exchanges

Decision Point	MA	UT
Exchange Structure	The Connector (quasi State Agency) will become the Exchange (pending legislation)	Exchange will be initially placed in existing State office but within two years transitioned out of State Government (pending legislation).
Governance	<p>11 member governing Board of Directors</p> <ul style="list-style-type: none"> <li>• 4 ex-officio</li> <li>• Actuary</li> <li>• Insurance broker</li> <li>• Health economist</li> <li>• Labor representative</li> <li>• Consumer advocate</li> <li>• Business representative</li> <li>• TAFT/Harty representative</li> </ul>	<p>Commissioner and Governor will have authority while in existing State Office</p> <p>15 member external Advisory Committee with non-binding authority</p> <ul style="list-style-type: none"> <li>• 5 cabinet level officials</li> <li>• 5 members of the community (not for profit, employers, etc.)</li> <li>• 5 members from industry (insurance, brokers, etc.)</li> </ul> <p>Implementation of Health Reform Task Force made up of 20 State Agency officials.</p> <p>Task Force has created 10-12 member Advisory Council representing hospitals, consumers, community health centers, Medicaid, etc.) to make recommendations relative to the Exchange and other aspects of the ACA.</p>
Open Market vs. Active Purchaser	TBD Open, but may have criteria beyond minimum Federal requirements for QHPS	Open Market Criteria for QHPS should be as flexible as possible
Navigators	TBD (most small group business in Connector is	Allow groups wishing to be Navigators to negotiate

	direct)	proposal with insurance producer community.
Small / Large Group Size	Small Group currently defined as up to 50 employees. TBD as to whether the State will move to 100 in 2014 or 2016 (when Federally required).	Small Group currently defined as up to 50 employees. TBD as to whether the State will move to 100 in 2014 or 2016 (when Federally required).
Estimates of Enrollment 01/01/2014	MA is currently in the process of an actuarial study to determine these numbers.	Preliminary estimates are enrollment may be in excess of 20% of the eligible population (total population is 2.7 million).
Funding Mechanism	Administrative deduction on premium for those plans in the Exchange.  3.5% on non-group and small group (considering reducing small group to 2.5%)	User fee on those that use the Exchange (pending legislation.) (Considering options, as there is concern that this mechanism will not generate enough revenue, depending on the final federal requirements of the Exchange.)
Basic Health Plan	TBD. Cost analysis underway	TBD. Cost analysis underway
Status of State Legislation	Introducing legislation to explicitly acknowledge the Connector as the Exchange.	Considering introducing legislation next session.



# National Association of Health Underwriters

## Massachusetts Connector and Utah Exchange Comparison

### September 2010

		<b>Massachusetts Connector</b>	<b>Utah Exchange</b>
<b>Website</b>	<a href="https://www.mahealthconnector.org/portal/site/connector/">https://www.mahealthconnector.org/portal/site/connector/</a>	<a href="http://www.exchange.utah.gov/">http://www.exchange.utah.gov/</a>	
<b>Individual Coverage</b>	Yes. Individual coverage, called “nongroup” in Massachusetts, is available through the Commonwealth Choice program.	No. The exchange links individuals to carriers, producers and an insurance plan comparison chart.	
<b>Small Group Coverage</b>	Yes. Small employers (2-50) can purchase coverage through the Commonwealth Choice program. The “Subconnector” acts as a third-party administrator by providing enrollment and premium billing.	Yes. Small employers 2-50 can set up defined contribution plans within the exchange	
<b>Large Group Coverage</b>	Not generally. Employers of all sizes must establish Section 125 plans to allow employees who are not eligible for or offered group coverage to buy a Commonwealth Choice non-group plan with tax-free income.	Not currently. Will open to large employers beginning in January 2012.	
<b>Offers Subsidized Coverage</b>	Yes. The program is called Commonwealth Care. Subsidized coverage is offered for families below 300% of the federal poverty level (FPL). Qualified individuals below 150% FPL do not have to pay premiums. This program offers four plan types depending on income level: <ul style="list-style-type: none"> <li>• Plan 1: below 100% FPL; members do not pay premiums and have limited copayments on certain services</li> <li>• Plan 2a: greater than 100% but below 150% FPL; option of one health plan with \$0 premium or another plan. If they choose a plan other than the \$0 plan they are responsible for paying the monthly premium</li> <li>• Plan 2b: greater than 150% but below 200% FPL; pay premiums and copayments on certain health services</li> <li>• Plan 3: Greater than 200% but below or at 300% FPL; pay premiums and copayments for certain health services</li> </ul>	No	

	<b>Massachusetts Connector</b>	<b>Utah Exchange</b>
<b>Product Tiers</b>	Four Product tiers: <ol style="list-style-type: none"> <li>1. Bronze- low premiums, higher cost-sharing</li> <li>2. Silver- moderate premiums, moderate cost-sharing</li> <li>3. Gold- high premiums, low cost sharing</li> <li>4. Young Adult Plans (YAP)- special low-cost and low-benefit coverage available only to those up to age 26.</li> </ol>	Not applicable. The exchange serves as an informational portal for employees to shop for existing private market plans that fit their needs, compare plans and prices and enroll in plan they deem best for them using contributions from their employers.
<b>Pooling</b>	Merged small group and individual market.  Each participating carrier must merge all individual and small group risks (including YAP plan beneficiaries) in one risk pool.  Same risk pool inside and outside the connector for each carrier.	Individual coverage is not offered through the portal, and within each carrier the individual and small group markets are pooled separately. Carriers have a combined risk pool for the small group market that includes individuals enrolled through the portal and small groups enrolled through the traditional market.
<b>Market Reforms</b>	<ul style="list-style-type: none"> <li>• Guaranteed issue individual and small group markets</li> <li>• Limit on pre-X to 6 month look-back and 6 month exclusionary period for both individual market and small group market. However, carriers do not apply the pre-x requirements on a voluntary basis.</li> <li>• No medical underwriting</li> <li>• No rating on health status, claims experience, gender</li> <li>• Modified community rating 2:1 age rating bands</li> </ul>	<ul style="list-style-type: none"> <li>• Individual market is not guaranteed issue but is not served by the portal.</li> <li>• Pre-X is 6 month look-back period and 12 month exclusionary period for both the individual and small group markets.</li> <li>• Medical underwriting with rate bands of +/-30% in both markets.</li> </ul>
<b>Risk Adjustment</b>	No risk adjustment. Community rating provisions and the individual and employer mandates have been deemed sufficient to prevent adverse selection. Premium rates for identical coverage options are the same inside and out of the connector; however, plan options inside and out of the connector are not always the same, so rate differentials occur.	Exchange was set-up with both a prospective and retrospective risk adjustment.  Prospective: each exchange enrollee is given a risk attachment factor which is tied to his/her premium (ie. an individual with a risk attachment of 3 pays 3 times the premium than an individual with 1). The risk-adjusted group premiums are then remitted to the carriers based on the number of enrollees from the group that they cover.  Retrospective (not yet implemented because this risk adjustment calculation takes place 6 months after a plan year and the exchange has not operated for 18 months). Carriers can submit a claim for a one-time catastrophic claim valued between \$75,000-\$250,000 for a 75% reimbursement. If it is approved for reimbursement, all carriers in the exchange will pay a fee to offset the large claim's cost.

	<b>Massachusetts Connector</b>	<b>Utah Exchange</b>
<b>Employer Plan Types</b>	<p>1) Contributory Plans</p> <ul style="list-style-type: none"> <li>a. Employers contribute to a benchmark plan (bronze, silver, gold); employee pays remaining premium for the health plan</li> </ul> <p>2) Voluntary Plans (open to all size groups)</p> <ul style="list-style-type: none"> <li>a. Section 125 Plans- allows employees to pick a Commonwealth Choice plan and pay for it with pre-tax dollars. No employer contributions.</li> </ul>	<p><i>Defined Contribution Plans-</i> employer contributes a specific amount through the exchange and employee determines which plan they want and pays the difference (if there is one) with pre-tax dollars.</p> <p>Participating in exchange allows premiums to be contributed from multiple sources (i.e. employer contribution, employee contribution, and spouse employer contribution).</p>
<b>Geography</b>	<p>State separated into three regions</p> <ol style="list-style-type: none"> <li>1. Western</li> <li>2. Central</li> <li>3. Eastern</li> </ol> <p>Carriers are allowed to offer in one, two or three regions.</p>	<p>Not Applicable. The state had a rural health care law passed that essentially forced carriers to work throughout the state, so any carrier participating in the Exchange can service the entire state with at least one of their networks. All four carriers participating in the exchange will offer plans throughout the state.</p> <p>Carriers are required to offer at least two plans to participate in the exchange, but currently all carriers offer more than two.</p>
<b>Portability</b>	<p>Not in the small business plan, these plans follow group rules including mini-COBRA continuation. Employees would have to enroll with their new employer.</p>	<p>An individual can take their Section 125 plan with them if they switch employers but they would lose any employer contributions to the plan. The Connector would need to be contacted to arrange individual billing and payment directly with the employee. If the employee joins another employer who offers the same or similar plan they would have to reenroll under the employer number. There is currently limited participation in the Section 125 plans from employers.</p>

	<b>Massachusetts Connector</b>	<b>Utah Exchange</b>
<b>Individual Mandate</b>	<p>Yes.</p> <p>Penalty:</p> <ul style="list-style-type: none"> <li>• Adults above 300% FPL is based on <math>\frac{1}{2}</math> the cost of the lowest-priced Commonwealth Care plan available; 2009 Levels:           <ul style="list-style-type: none"> <li>○ Individuals 18-26: \$52/month or \$624/year</li> <li>○ Individuals 27 or older: \$89/month or \$1068/year</li> </ul> </li> <li>• Adults at or below 300% FPL is based on <math>\frac{1}{2}</math> the cost of the lowest-priced, government-subsidized Commonwealth Care plan available; 2009 levels for individuals (based on annual income):           <ul style="list-style-type: none"> <li>○ Up to \$16,248: \$0</li> <li>○ \$16,249-\$21,660: \$17/month or \$204/year</li> <li>○ \$21,661-\$27,084: \$35/month or \$420/year</li> <li>○ \$27,085-\$32,496: \$52/month or \$624/year</li> </ul> </li> </ul>	No.
<b>Employer Mandate</b>	<p>Yes- offer coverage or a “fair share” contribution.</p> <p>Penalty: \$295 per full-time employee, per year for employers who have 11 or more full-time employees.</p>	No.
<b>Agent Enrollment</b>	Agents are compensated for small group market enrollment.	Yes.
<b>Agent Requirements</b>	All licensed agents can sell in the Connector without additional credentialing.	Agents must be licensed in Utah and appointed with all carriers participating in the Exchange. Optional agent certification program.
<b>Agent Compensation</b>	Voluntary Plans (Section 125) - \$10/PEPM Contributory Plans-2% commission	\$37/per employee per month.
<b>Oversight</b>	Massachusetts Connector Authority- 10 members, broad regulatory responsibilities. The Connector is a self-governing separate legal entity from the State.	Office of Consumer Health Services, currently part of the Governor's Office of Economic Development.  Government role is market facilitator.  State retains budgetary control and authority.

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